



First Transit Contract Audit A2020-03

Issued by the
Internal Audit Office
March 19, 2020

EXECUTIVE SUMMARY

The Internal Audit Office has concluded its audit of the *Sun Metro Mass Transit Management Services Agreement 2012-040R* by and between the Mass Transit Department Board of the City of El Paso and First Transit, Inc. The Agreement was effective May 15, 2012, with the First Amendment dated March 8, 2016, the Second Amendment dated March 1, 2018 and the Third Amendment dated June 12, 2018.

Based on the results of the audit, we can provide reasonable assurance that First Transit, Inc. is in compliance with the operating terms and conditions of the Mass Transit Management Services Agreement with the City of El Paso.

For more detail on the areas under review, please refer to the Finding Section of this report.

BACKGROUND

Sun Metro was named the Outstanding Metropolitan Transit System of the Year by the Texas Transit Association (TTA) for its ongoing efforts to improve public transportation in El Paso. Texas Transit Association presented the award to Sun Metro during the association's annual conference in Fort Worth, April 26-28, 2014.

Sun Metro was named the American Public Transportation Association's 2011 Outstanding Public Transportation System in the nation in its size category. The prestigious award is presented to the transit system that best demonstrates achievement in transit efficiency and effectiveness over the previous three-year period."

Sun Metro, managed by First Transit, Inc. since 2006, was first presented with the TTA's Outstanding Metropolitan Transit System award in April 2008, for taking a leadership role in improving Public Transportation in Texas.

On October 28, 2019, the Mass Transit Department Board of the City of El Paso approved a change order for a six-month extension of the *Sun Metro Mass Transit Management Services Agreement 2012-040R* with First Transit, Inc. The extension runs from December 1, 2019 to May 31, 2020. As a result, the Deputy City Manager of Public Works requested a review of the *Sun Metro Mass Transit Management Services Agreement 2012-040R* between the Mass Transit Department Board of the City of El Paso and First Transit, Inc. to determine if First Transit, Inc. has met the terms and conditions of the agreement.

AUDIT OBJECTIVES

The objectives of this audit are to determine whether the First Transit, Inc. is adhering to the terms and conditions of the *Sun Metro Mass Transit Management Services Agreement 2012-040R*. Testing will include, but is not limited to, determining whether First Transit, Inc. is providing management services to Sun Metro regarding the following:

- Capital Project planning and implementation,
- Grants Management,
- Administration and procurement for technology upgrades,
- Safety, Security and Training functions,
- Special Services described in approved contract amendments to include:
 - Bus line inspection services and post-delivery audit services for new Transit Buses being purchased,
 - Development of Streetcar Standard Operating Procedures.

AUDIT SCOPE

The scope of this audit included the *Sun Metro Mass Transit Management Services Agreement 2012-040R* between the Mass Transit Department Board of the City of El Paso and First Transit, Inc. for Fiscal Year 2019 and 2020.

AUDIT METHODOLOGY

In order to achieve the audit objectives, we:

- Obtained an understanding of the *Sun Metro Mass Transit Management Services Agreement 2012-040R*,
- Conducted interviews with Sun Metro, Capital Improvement Department (CID) and First Transit management and staff,
- Performed site inspections,
- Determined if First Transit provided detailed inspection records of the XN60 Transit Buses purchased from New Flyer of America,
- Determined if First Transit Special Services fees are exceeding the hourly rates stated,
- Determined if First Transit Special Services fees exceeded the maximum amount allowed under the Second Amendment,
- Determined if First Transit developed Standard Operating Procedures for the Street Car Project as stated in the Third Amendment,
- Determined if First Transit provided the required Federal Transit Administration documentation required for the implementation of the Street Car Project per the Third Amendment,
- Reviewed payments made to First Transit for accuracy and completeness,
- Determined if First Transit provided Capital Project Management support,
- Determined if First Transit has supporting documentation regarding the 80 hours of annual Corporate Support and Technical Assistance provided to assist in the management of Sun Metro,
- Determined if First Transit is providing management services regarding the scheduling of fixed route services including block schedules and operator runcuts,
- Determined if First Transit is providing management services regarding training and retraining programs for transit operators, safety and security at all facilities,
- Determined if First Transit is providing management services regarding federal grant administration and Reporting for the National Transit Database.

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FINDING

The finding, which follows, relates to compliance and adherence to the terms and conditions of the *Sun Metro Mass Transit Management Services Agreement 2012-040R* by and between the Mass Transit Department Board of the City of El Paso and First Transit, Inc. The Agreement was effective May 15, 2012, with the First Amendment dated March 8, 2016, the Second Amendment dated March 1, 2018 and the Third Amendment dated June 12, 2018.

Finding 1

City of El Paso Strategic Plan:

- Goal 7.3 *Enhance a regional comprehensive transportation system.*

Based on the results of our review of the following areas:

- Capital Project planning and implementation,
- Grants Management,
- Administration and procurement for technology upgrades,
- Safety, Security and Training functions,
- Special Services described in approved contract amendments.

We can provide reasonable assurance that First Transit, Inc. is in compliance with the *Sun Metro Mass Transit Management Services Agreement 2012-040R* by and between the Mass Transit Department Board of the City of El Paso and First Transit, Inc. dated May 15, 2012 and subsequent Amendments.

Recommendation

City of El Paso Management should continue to monitor the First Transit Management Fee invoice amounts as current First Transit employees transition to City of El Paso employees before the May 31, 2020 contract termination.

Management's Response

None Required.

Responsible Party

Implementation Date

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit, which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

CONCLUSION

We have concluded our work on the objectives of the First Transit Contract Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the finding and conclusion. In accordance with *Generally Accepted Government Auditing Standards*, we are required to conclude whether First Transit, Inc. met the objectives of this audit. Based on our audit work, we have determined that:

1. First Transit, Inc. did meet the requirements contained in the *Sun Metro Mass Transit Management Services Agreement 2012-040R*, in the following areas:
 - Capital Project planning and implementation,
 - Grants Management,
 - Administration and procurement for technology upgrades,
 - Safety, Security and training functions,
 - Special Services described in approved contract amendments.

We wish to thank Sun Metro and First Transit Management staff for their assistance and numerous courtesies extended during the completion of this audit.

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